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C O N F I D E N T I A L RANGOON 001366

SIPDIS

STATE FOR EAP, EB  
COMMERCE FOR ITA JEAN KELLY  
TREASURY FOR OASIA JEFF NEIL  
CINCPAC FOR FPA

E.O. 12958: DECL: 10/22/2012

TAGS: [ECIN](#) [ECON](#) [BM](#)

SUBJECT: BURMA: JAPANESE UNLIKELY TO PUSH REFORM FINANCING

REF: A. TOKYO 6905

[1](#)B. SECSTATE 192276

[1](#)C. RANGOON 1274

[1](#)D. RANGOON 1253

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.5 (B,D)

[1](#)1. (C) Summary: Japanese experts say that Japan plans to discuss economic reform during Prime Minister Koizumi's meeting with Senior General Than Shwe at the November ASEAN 3 meeting in Phnom Penh. They have also promised to share with us a copy of their proposed program for Burmese structural adjustment. End summary.

Economic Aid Plan? Not Yet.

[1](#)2. (C) Professor Masahiko Ebashi, one of the leaders of a Japanese government-sponsored team here to work with the Burmese government on structural reform, told the Chief of Mission that the Japanese government is eager to get economic reform started in Burma, and is willing to pay for it. The team of Japanese experts will complete its work here soon, expecting to finalize a report by December for publication next March.

[1](#)3. (C) Professor Ebashi was discouraged by the complete disinterest of the Ministers with whom his team was supposed to be working. Only Brigadier General David Abel, the regime's sole competent economic mind, has worked closely with the group. However, Ebashi was encouraged that technocrats in the Central Bank and other agencies had shown a "genuine" interest in reform. He said his group had concluded that it was essential to build capacity now within the GOB through engagement and promotion of economic reform. It will be too late if the international community waits until the political situation changes. Further sanctions and/or continued economic isolation, he fears, will destroy whatever influence these nascent reformers have.

[1](#)4. (C) The leadership of Burma has made it clear, however, that they will not implement any reforms unless there is accompanying finance. Ebashi said that he believed the IMF had made a mistake by issuing reform instructions with no aid to back it up (see Ref D). To avoid similar problems, his team was designing a program of incremental economic structural adjustment aid, each tranche of which would be tied to specific economic reforms. This model had worked before in Vietnam, he said. However, Burma could not be subjected to the same strict conditionality as Vietnam, Ebashi argued. Ebashi said that he hopes a reform package for Burma could be developed in time for the bilateral meeting scheduled between Japanese Prime Minister Koizumi and Burma's Senior General Than Shwe at the November ASEAN 3 Summit in Phnom Penh.

Comment

[1](#)5. (C) Ebashi may be the only one thinking along these lines, however. Japanese Embassy officials here tell us that while a bilateral meeting at the ASEAN 3 is in the works, nothing is finalized yet. If this meeting is arranged, one official said, economic reform will certainly be a topic for discussion, but there will not be talk of structural assistance. The Japanese government, he said, recognizes that any talk of financial assistance for structural reform would be premature, pending further motion on political transition in Burma. He also said that the GOJ would share with us a copy of its report on structural adjustment here when it is ready, and would consult with the United States, the IMF, and the World Bank before taking any significant steps in Burma. End comment.

Martinez